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PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF THE

STATE OF MONTANA

FIFTH ANNUAL REPORT

OF THE

SOCIAL SECURITY DIVISION

1959-1960

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Helena, Montana

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November, 1960

Honorable J. Hugo Aronson
Governor of Montana
State Capitol
Helena, Montana

Dear Governor Aronson:

The Board of Administration of the Public Employees' Retirement System of Montana herewith presents its Fifth Annual Report of the operations and progress of its Social Security Division during the fiscal year of 1959-60 ending on June 30, 1960, in compliance with the provisions of Section 68-501 (c), Revised Codes of Montana, 1947.

It gives us continued pleasure and satisfaction to report that an increasing number of public employees in Montana are now provided coverage under Social Security in addition to their benefits under the Public Employees' Retirement System, representing approximately 98% of the total estimated eligible public employees in Montana.

The Social Security Division was established as a division of the Public Employees' Retirement System on July 1, 1955, after its initial two (2) years of operation as a division of the State Board of Equalization. Its large and significant growth since this date not only attests to the need for this additional coverage for public employees but to its value and timeliness in achieving the purpose of a good retirement plan.

The additional security provided by the addition of Social Security coverage to the coverage provided by the Public Employees' Retirement System has accelerated the number of retirements since July 1, 1956, because it has enabled the superannuated members and their beneficiaries to discontinue public service and enjoy some of the rewards of their public service in some reasonable measure of comfort and security as well as provide opportunities for younger employees.

We appreciate this opportunity of not only providing an additional measure of reward to the faithful and deserving public employees of the State of Montana and its political subdivisions but in advancing our purpose of improving the personnel standards for more efficient, economic and stable service in public service for the State of Montana and its political subdivisions.

Respectfully submitted,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
John F. Sasek, Secretary

REPORT AS OF JUNE 30, 1960

For the Period Beginning July 1, 1959 and Ending June 30, 1960

BOARD OF ADMINISTRATION

IRVIN E. SNYDER, Helena.....President
FRED L. HILL, Great Falls.....Vice President
MALCOLM BOWDEN, Helena.....Member
MRS. ELMER SCHYE, White Sulphur Springs.....Member
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ADMINISTRATIVE STAFF

JOHN F. SASEK.....Secretary
EDWARD D. LITTLE (7-1-59—9-22-60).....Accountant
OWEN L. MORRIS, JR. (9-22-60—6-30-60).....Accountant
MICHAEL J. HUGHES.....Attorney

LEGISLATION AND GROWTH

LEGISLATION

Public employees in Montana were first provided the opportunity of securing Social Security coverage, or Old Age, Survivors' and Disability Insurance under the provisions of Chapter 44, 1953 Session Laws of Montana, when the Thirty-third Legislative Assembly of Montana, enacted the enabling legislation whereby political subdivisions, not under a retirement system, could have some measure of security for themselves and beneficiaries at superannuation and for their survivors should the employees never reach superannuation. This enabling legislation was made possible by the 1950 amendments to the Federal Social Security Act which permitted public employees, not under a retirement system, to secure Social Security coverage which had not been previously available to them.

Under the authority granted to it by Chapter 44, 1953 Session Laws of Montana, the State Board of Examiners entered into a Federal-State Social Security agreement with the Secretary of Health, Education and Welfare, effective on December 7, 1953. This original agreement was applicable only to those political subdivisions not under a retirement system. The state agency designated to administer Social Security for public employees in Montana under this act was the State Board of Equalization.

The Montana Federal-State agreement of December 7, 1953, provided the basis of coverage for the various classes of positions among public employees in Montana and every agreement, or modification thereof, which has been executed by the State of Montana or its political subdivisions since that date has been governed by it, so that all classes of positions are covered except some employees working on a fee basis, firemen, policemen, and students employed incidentally at the various educational institutions. The original agreement has been recently amended so that fee basis elective officials may be covered.

Social Security coverage under the provisions of Chapter 44, 1953 Session Laws, was secured solely through a voluntary Plan and Agreement negotiated between the legislative body and the State Board of Equalization, which administered Social Security for public employees in Montana until July 1, 1955, when the Public Employees' Retirement System assumed its administration.

The Thirty-fourth Legislative Assembly of Montana amended the original act of 1953 to allow public employees of Montana, who are under a retirement system, to add Social Security coverage to their coverage under a retirement system. This was done in accordance with the provisions of the 1954 amendments of the Federal Social Security Act. The coverage for these public employees was provided under Chapter 270, 1955 Session Laws of Montana, for members of the Public Employees' Retirement System of Montana, and under Chapter 271, 1955 Session Laws of Montana, for members of the Teachers' Retirement System of Montana who are professional employees of the six units of the Greater University of Montana or professional employees of a school district.

The 1954 amendments to the Federal Social Security Act required that no state agency or political subdivision could add Social Security coverage without submitting the question of participation to the members of their respective retirement systems to a referendum vote conducted by the State Agency. The Montana amendments of 1955 incorporated this provision so that members of the Public Employees' Retirement System and the Teachers' Retirement System could participate in Old Age, Survivors' and Disability Insurance the same as public employees who are not under a retirement system. These amendments also transferred the administration of Social Security for public employees in Montana from the State Board of Equalization to the Board of Administration of the Public Employees' Retirement System of Montana, effective as of July 1, 1955.

The 36th Legislative Assembly enacted Chapter 97, 1959 Session Laws of Montana making three changes in the previous state Social Security legislation. The most important section of Chapter 97 clarified the wording of the original enabling law so that it would coincide with any future changes in the retroactivity clause of the Federal Social Security Act. The other provisions of Chapter 97 corrected a typographical error which occurred in the preparation of Chapter 270, 1955 Session Laws of Montana and removed the word "teachers" from the exclusions of Chapter 270, 1955 Session Laws of Montana since the teacher group was covered by Chapter 271, 1955 Session Laws of Montana.

GROWTH

During the period from December 7, 1953, to July 1, 1955, the State Board of Equalization processed and provided coverage for 588 public employees of one (1) county, ten (10) cities, eighteen (18) towns, thirty-six (36) school districts, six (6) irrigation districts, four (4) public housing authorities, two (2) soil conservation districts, one (1) cemetery district and the Montana Municipal League.

During its first five years of administering Social Security for public employees in Montana the Public Employees' Retirement System conducted seventeen (17) statewide referendums, on October 10, 1955, January 4, 1956, April 16, 1956, May 28, 1956, October 15, 1956, January 28, 1957, May 6, 1957, September 16, 1957, December 6, 1957, April 4, 1958, September 29, 1958, January 16, 1959, April 16, 1959, October 5, 1959, December 4, 1959, March 23, 1960 and May 6, 1960, respectively, and extended Old Age, Survivors' and Disability Insurance to 26,477 additional public employees in eighty-six (86) state departments, fifty-five (55) counties, sixty-three (63) cities and towns, all units of the Greater University of Montana, six hundred twenty-three (623) school districts, nine (9) irrigation districts, thirteen (13) cemetery districts, two (2) municipal water departments, two (2) public health districts, one (1) public library, and two (2) soil conservation districts.

By July 1, 1960, Old Age, Survivors' and Disability Insurance had been extended to the majority ol public employees in Montana with 27,065 now participating. This is approximately 98% of the total estimated number of public employees who could be covered under Old Age, Survivors' and Disability Insurance. All state departments, all component units of the Greater University of Montana, all counties, the majority of cities, towns, first and second class school districts, and many other political subdivisions, have provided Social Security coverage for their public employees so that the number remaining is to be found principally in the smaller political subdivisions of the state.

LEGAL OPINIONS

Two opinions were written by the attorney of the Social Security Division to resolve reporting and coverage problems which occurred during the past fiscal year. The conclusions of the opinions are listed below. A complete copy of the opinions may be obtained by requesting the same.

(1) "We are therefore of the opinion that (1) the "state stock inspectors" . . . (2) The "stock inspectors" . . . and (3) the "detectives" . . . , are salaried officials and, as such, are covered by the Montana-Federal Social Security Agreement, but that the "deputy state stock inspectors" described in Section 46-805, RCM 1947, occupy positions the compensation for which is on a fee basis, and hence are not covered by such agreement."

(2) "In our opinion, a city-county planning board is a separate entity, distinct from either the city or the county whose union of wills produced it, just as is the product of a marriage an entity distinct from its parents."

CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATORS

The Annual Conference of State Social Security Administrators, of which Montana is a member was held in Chicago, Illinois on September 9th and 10th, 1959. Montana was represented by Mr. John F. Sasek, Secretary of the Public Employees' Retirement System and Mr. Edward D. Little, Accountant of the Social Security Division of the Public Employees' Retirement System.

The conference is held so that the states may present their problems and offer suggestions concerning the operation of the Social Security program in their state. It is an excellent opportunity for the states to exchange ideas concerning the Social Security program. The conference proposes legislation to present to Congress to better the Social Security program as concerns the states. Plans are also proposed by the conference for the Social Security Administration, so that the administration of the Social Security program may be better facilitated in the State and local government field.

The conference is conducted under the supervision of the member states with the cooperation of the Social Security Administration. The Social Security Administration provides various speakers from different fields of their operation. These speakers along with the speakers from the various states comprise the agenda of the conference.

WAIVER OF HEARING AND PARTIAL TERMINATION OF AGREEMENT

PURPOSE

When a political subdivision or absolute coverage group is dissolved, it is necessary for the State to take action to have the dissolved political subdivision removed from the agreement. A political subdivision which has been dissolved must be terminated by the Secretary pursuant to the provisions of the Act under which the Secretary may terminate an agreement or part of an agreement, if the State is legally unable to comply with the terms of the agreement. The formal document used for this procedure is called a "Waiver of Hearing and Partial Termination of Agreement."

RECENT TERMINATIONS

During the past fiscal year three (3) documents of Waiver of Hearing and Partial Termination of Agreement were executed by the Secretary removing three (3) teacher coverage groups, and one (1) coverage group of employees other than teachers from the Social Security Agreement.

REFERENDUMS

PURPOSE OF REFERENDUM

A referendum is held so that employees of public agencies under a retirement system might be afforded the opportunity to vote on the question of supplementing their present retirement program with the OASDI coverage. Congress in enacting the provisions relating to retirement system coverage under OASDI specifically declared its policy to be that the protection afforded employees in positions covered by a retirement system, or the payment of periodic benefits under a retirement system, will not be impaired as a result of such coverage or as the result of legislation enacted in anticipation of such coverage.

RECENT REFERENDUMS

During the past fiscal year four referendums were conducted for political subdivisions in the state on October 5, 1959, December 4, 1959, March 23, 1960, and May 6, 1960. In these referendums 73 school districts and 1 town participated with 270 eligible employees voting. The final certification of the referendums showed employees of 56 agencies voting favorably for the coverage and employees of 18 agencies voting against the coverage. The agencies, where the employees voted against the coverage, must wait one full year from the date of the last referendum in which they participated before they are eligible to participate in another referendum.

MODIFICATIONS

PURPOSE OF MODIFICATION

The Social Security Act provides that a State's original agreement may be modified to include additional coverage groups and to cover services previously excluded from an agreement or modification. The coverage must be consistent with the provisions of the Federal Social Security Act.

An agreement is modified by the use of a formal document known as a "Modification." The signing of a modification is an acknowledgement of the full applicability to it of the provisions of the original agreement.

RECENT MODIFICATIONS

During the past fiscal year the Social Security Division prepared and processed 13 modifications which were approved and signed by the Social Security Administration in Baltimore, Maryland. Nine (9) of the modifications extended the coverage to the following groups: teachers at 54 school districts, employees who are members of the Public Employees' Retirement System at 4 school districts, employees who only have social security at 9 school districts, 1 town, and 2 public agencies. Three (3) of the modifications changed the effective dates of 3 agencies to an earlier effective date. One (1) modification extended the coverage to the fee basis elective officials in one county.

Modifications are continuously being prepared extending coverage to those agencies desiring the coverage for their employees.

INCOME AND DISBURSEMENTS
July 1, 1959 to June 30, 1960

Assets as of June 30, 1959		$ 295,022.80
INCOME FOR YEAR ENDING JUNE 30, 1960.		
Employee and Employer Contributions	$4,437,511.97	
Contribution to Expense	39,233.24	
TOTAL INCOME		$4,476,745.21
BALANCE CARRIED FORWARD		$4,771,768.01
DIBURSEMENTS FOR YEAR ENDING JUNE 30, 1960.		
Capital Disbursements:		
Refund on Contributions		$ 1,162.56
Refund on Administrative Expense		1,463.14
Payment of Contributions to the Treasurer of the United States		4,459,477.63
TOTAL CAPITAL DISBURSEMENTS		$4,462,103.33
Disbursements for Administrative Expense:		
Salaries	$ 18,839.46	
Travel, Employees	2,121.92	
Telephone-Telegraph	341.86	
Printing	385.86	
Postage	882.29	
Supplies	530.45	
Contributions to PERS—Employer	621.71	
Dues	20.00	
Service Contracts	137.63	
Insurance-Bonds	467.76	
Depreciation—Furniture and Fixtures	653.01	
Social Security Contributions—Employer	433.77	
Miscellaneous	419.00	
TOTAL ADMINISTRATIVE EXPENSE		$ 25,854.72
TOTAL DISBURSEMENTS		$4,487,958.05
BALANCE JUNE 30, 1960		$ 295,022.80

ASSETS AND LIABILITIES STATEMENT

ASSETS:		
*Cash	$ 289,111.64	
Furniture and Fixtures	5,911.16	
TOTAL ASSETS		$ 295,022.80
LIABILITIES:		
Contribution Account	$ 226,609.98	
Expense Fund	68,412.82	
TOTAL LIABILITIES		$ 295,022.80

*On Deposit with the State Treasurer

SOCIAL SECURITY CONTRIBUTIONS DEPOSITED WITH FEDERAL RESERVE BANK FOR THE PERIODS INDICATED

July 1, 1955-June 30, 1956	$1,380,799.29
July 1, 1956-June 30, 1957	$2,576,598.67
July 1, 1957-June 30, 1958	$3,033,874.88
July 1, 1958-June 30, 1959	$3,454,146.83
July 1, 1959-June 30, 1960	$4,459,477.63

Balances verified by Audit of Bank Examiners on August 8, 1960

REFERENDUMS HELD IN THE STATE FOR MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM AND THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM ON THE QUESTION OF SUPPLEMENTING THEIR PRESENT RETIREMENT PROGRAM WITH SOCIAL SECURITY

REFERENDUMS	Agencies Voting For Social Security	Agencies Voting Against	Per Cent In Favor
First Referendum—October 10, 1955	128	3	97.7%
Second Referendum—January 4, 1956	50	4	92.5%
Third Referendum—April 16, 1956	110	8	93.2%
Fourth Referendum—May 28, 1956	66	15	81.5%
Fifth Referendum—October 15, 1956	42	11	79.2%
Sixth Referendum—January 28, 1957	56	3	94.9%
Seventh Referendum—May 6, 1957	35	2	94.6%
Eighth Referendum—September 16, 1957	51	5	91.1%
Ninth Referendum—December 6, 1957	71	9	88.8%
Tenth Referendum—April 4, 1958	57	1	98.2%
Eleventh Referendum—September 29, 1958	44	3	93.6%
Twelfth Referendum—January 16, 1959	31	1	96.9%
Thirteenth Referendum—April 16, 1959	23	1	95.8%
Fourteenth Referendum—October 5, 1959	23	6	82.1%
Fifteenth Referendum—December 4, 1959	12	4	75.0%
Sixteenth Referendum—March 23, 1960	20	7	74.1%
Seventeenth Referendum—May 6, 1960	2	1	66.7%
	821	84*	90.7%

*Of the 84 agencies which had unfavorable votes for the Social Security coverage 37 have since revoted and accepted the coverage. Agencies having an unfavorable vote for the Social Security coverage must wait one full year before voting again.

NUMBER OF NEW AGENCIES CONTRACTING SOCIAL SECURITY COVERAGE FOR THEIR EMPLOYEES DURING THE PERIODS INDICATED

	12/7/53-6/30/55	7/1/55-6/30/56	7/1/56-6/30/57	7/1/57-6/30/58	7/1/58-6/30/59	7/1/59-6/30/60	Total
SCHOOL DISTRICTS	36	139	204	157	72	48	656
CITIES AND TOWNS	28	28	20	11	3	1	91
COUNTIES	1	55	....	....	....	....	56
STATE DEPARTMENTS	....	70	2	14	....	....	86
*UNIVERSITY SYSTEM	....	6	....	....	....	....	6
OTHER AGENCIES	14	10	9	5	3	2	43
	79	308	235	187	78	51	938

*The Employees other than the teachers at the University System are included with that system in the count whereas previously they had been included with the State Departments.

SOCIAL SECURITY COVERAGE BY COUNTY (as of June 30, 1960)

County	School Districts	Cities Towns	Other Agencies
Beaverhead	22	1	....
Big Horn	4	1	2
Blaine	14	2	3
Broadwater	4	1	1
Carbon	12	4	2
Carter	15	1	....
Cascade	24	2	1
Chouteau	32	3	1
Custer	12	1	....
Daniels	3	2	1
Dawson	20	2	....
Deer Lodge	3	1	1
Fallon	9	1	....
Fergus	37	2	....
Flathead	28	2	1
Gallatin	16	4	....
Garfield	11	....	....
Glacier	5	1	1
Golden Valley	7	1	....
Granite	5	2	....
Hill	17	1	1
Jefferson	8	2	....
Judith Basin	9	....	....
Lake	9	2	2
Lewis and Clark	17	2	2
Liberty	7	1	....
Lincoln	15	2	1
Madison	9	4	3
McCone	15	....	....
Meagher	2	1	....
Mineral	4	1	....
Missoula	15	1	....
Musselshell	7	2	....
Park	8	1	2
Petroleum	4	1	....
Phillips	17	3	2
Pondera	13	2	1
Powder River	4	1	....
Powell	10	1	....
Prairie	3	1	1
Ravalli	8	1	1
Richland	15	2	1
Roosevelt	8	5	1
Rosebud	12	1	2
Sanders	9	2	....
Sheridan	17	2	....
Silver Bow	6	1	1
Stillwater	13	1	....
Sweet Grass	14	1	....
Teton	10	3	2
Toole	14	2	1
Treasure	2	1	1
Valley	13	2	1
Wheatland	5	1	....
Wibaux	9	1	....
Yellowstone	16	2	3

The School District figure includes districts which have the teachers covered, or both the teachers and other employees covered, or only the employees other than teachers covered. The particular coverage group which has the Social Security coverage in any school district of a county may be obtained by writing to this office indicating the district number and the county in which the district is located.

NUMBER OF AGENCIES OFFERING THEIR EMPLOYEES SOCIAL SECURITY AS OF JUNE 30, 1960 (By coverage Groups)

COVERAGE GROUP	Number of Agencies
SCHOOL DISTRICTS:	
Teachers	604
Members of the Public Employees' Retirement System	88
Members who do not belong to the Public Employees' Retirement System	196
CITIES AND TOWNS:	
Members of the Public Employees' Retirement System	43
Members who do not belong to the Public Employees' Retirement System	48
COUNTIES: (100%)	
Members of the Public Employees' Retirement System	55
Members who do not belong to the Public Employees' Retirement System	1
STATE DEPARTMENTS (100%)	87
UNIVERSITY SYSTEM (100%)	6
OTHER AGENCIES:	
Irrigation Districts	15
Cemetery Districts	14
Municipal Water Departments	2
Public Health Districts	2
Public Libraries	1
Public Housing Authorities	4
Soil Conservation Districts	4
Montana Municipal League	1

SOCIAL SECURITY COVERAGE IN SCHOOL DISTRICTS (As of June 30, 1960)

The number of school districts covered by Social Security according to specific coverage groups and the approximate number of employees covered.

COVERAGE GROUPS	Number of Districts	Approximate Number of Employees
*Teachers	604	7,256
Employees other than Teachers (Total)	284	1,986
Employees other than Teachers who are members of the Public Employees' Retirement System	88	910
Employees other than Teachers who only have Social Security coverage	196	1,076
All Employees covered. Teachers and employees other than Teachers	234	5,200

*All teaching positions in Montana are covered by the Teachers' Retirement System.

NUMBER OF EMPLOYEES REPORTED AT SPECIFIC PERIODS

	6/30/55	6/30/56	6/30/57	6/30/58	6/30/59	6/30/60
SCHOOL DISTRICTS	300	1,599	7,020	7,381	8,313	9,242
CITIES AND TOWNS	100	1,686	1,847	2,810	3,100	2,867
COUNTIES	88	3,934	4,069	4,513	4,648	5,029
STATE DEPARTMENTS	.....	7,542	8,104	6,697	6,855	6,913
*UNIVERSITY SYSTEM	.....	587	844	2,564	2,602	2,656
OTHER AGENCIES	100	354	518	383	481	358
	588	15,702	22,402	24,348	25,999	27,065

*The University System figure includes employees other than teachers who previously had been reported in the State Department figure.

SOCIAL SECURITY COVERAGE AND OTHER RETIREMENT COVERAGE
(as of June 30, 1960)

COVERAGE GROUP	Employees In Positions Covered By The Public Employees' Retirement System Who Have Social Security Coverage	Employees In Positions Covered By The Teachers' Retirement System Who Have Social Security Coverage	Employees In Positions Covered Only By Social Security
STATE DEPARTMENTS	6,913	.....	.....
COUNTIES	4,980	.....	49
CITIES AND TOWNS	2,395	.....	472
SCHOOL DISTRICTS	910	7,256	1,076
GREATER UNIVERSITY SYSTEM	1,631	1,025	.....
OTHER AGENCIES	77	.....	281
	16,906	8,281	1,878

Not all employees included in the totals under the Public Employees' Retirement system and the Teachers' Retirement System are actually members of the respective systems. However, the positions are covered and these employees could elect membership.

Approximately 25,187 public employees are contributing to Old Age, Survivors' and Disabilty Insurance in addition to the Public Employees' Retirement System or the Teachers' Retirement System. This means that approximately 93% of the public employees at June 30, 1960 had both a retirement plan and Social Security coverage. Approximately 1,878 public employees have only the Social Security coverage.